Recommendations of the Working Group
on
Default-Service Issues

D.T.E. 99-60
August 30, 2000

Report to the Massachusetts Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

I. Introduction

On June 30, 2000, the Department of Telecommunications and Energy (the "Department") issued an order resolving certain issues relating to the pricing and procurement of electric default service. Default Service Pricing and Procurement, D.T.E. 99-60-B (2000). Acknowledging the need to provide customers with notice and information about pending changes in the structure and pricing of default service, the Department directed interested persons to establish a working group to develop a process for providing such information to customers. Id. at 22-23. The Department further directed the working group to develop standards, protocols and schedules for information exchange between the distribution companies and their customers regarding changes in default prices, the availability of different default-service pricing and how customers may choose among the various options. Id. The Department directed the working group to submit to the Department its recommendations on these issues within 60 days of the issuance of the Order. Id.

In accordance with the Department's directives, the Default Service Working Group was established on July 27, 2000.[(1)] The Default Service Working Group is composed of a diverse group of organizations representing the interests of consumers, distribution companies and marketers, including Associated Industries of Massachusetts, the Office of the Attorney General, the Division of Energy Resources, Energyguide.com, Essential.com, Fitchburg Gas and Electric Light Company, Green Mountain Energy Company, Massachusetts Electric Company, MHI, Inc.,[(2)] Nantucket Electric Company, NewEnergy East L.L.C., the NSTAR Companies,[(3)] PG&E National Energy Group, Smartenergy.com and Western Massachusetts Electric Company.[(4)] In order to develop the recommendations set forth herein, the Default Service Working Group conducted a series of meetings at the offices of the Department (July 27, August 3, August 10, August 17, and August 24, 2000).

The recommendations set forth herein represent the consensus of the Default Service Working Group on a number of issues relating to the provision of default service in the Commonwealth. On one issue, i.e., the reconciliation of default-service costs, the Working Group was unable to reach consensus, as discussed below. As noted below, in order to facilitate the Department's consideration of the issue, the Working Group agreed that interested persons should file comments on this issue with the Department no later than August 30, 2000.

II. Procedural Background

On June 21, 1999, the Department initiated a Notice of Inquiry/Generic Proceeding into the Pricing and Procurement of Default Service (the "NOI"), which was docketed as D.T.E. 99-60. In the NOI, the Department stated that the primary objective of the proceeding was to determine the average monthly market price of electricity and to determine how this price should be incorporated in the default-service rate, but that it would also consider any issues relating to the procurement of default service that bear on, or are affected by, the mechanism for establishing the price of default service, or that bear on retail competition in general. D.T.E. 99-60-A at 1. The Department accepted written initial comments on July 14, 1999 and written reply comments on July 28, 1999.

On May 12, 2000, the Department issued an order setting forth a draft proposal that addressed certain "essential components" associated with the pricing and procurement of default service. See D.T.E. 99-60-A at 2. In that order, the Department stated that it would accept additional comment on several specific issues before finalizing its guidelines for default service pricing and procurement. Id. In order to accomplish that objective, the Department conducted a technical session on May 25, 2000.

As referenced above, the Department issued D.T.E. 99-60-B (the "Order") on June 21, 2000, which sets forth the Department's final guidelines for the provision and pricing of default service in the Commonwealth. Also in that Order, the Department established the Default Service Working Group to resolve certain issues regarding notification of default service changes to customers and the development of standards to implement the default service changes.

III. Agenda of the Default Service Working Group

As stated above, in D.T.E. 99-60-B, the Department resolved a number of issues relating to the structure and pricing of default service in the Commonwealth. In resolving these issues, the Department recognized that certain details concerning the implementation of a new default service pricing structure should be addressed through the Default Service Working Group. Specifically, the Order addresses the following issues: (a) the pricing option on which distribution companies will automatically and initially place customers; (b) the extent to which customers will have the opportunity to switch between pricing options; and (c) the recalculation of default service costs for customers taking default service under the fixed-price option and electing to leave that option during the six-month term to take service from a competitive supplier. D.T.E. 99-60-B at 6.

In reaching a determination on these issues, the Order did not address the following issues: (a) the development of an implementation plan to notify customers of the available default-service pricing options and pending rate changes; (b) the process and timing of Department review of the results of a distribution company's default-service solicitation; (c) the process for calculating customer bills to ensure that changing default-service prices are applied to the appropriate usage period; (d) reconciliation of under- and over-recoveries of default-service costs; (e) the process and timing of customer switching between price options; and (f) the process for recalculation of customer bills for customers who switch from the fixed-price option during the six-month term to take service from a competitive supplier.

IV. Recommendations of the Default Service Working Group

The Default Service Working Group has addressed each of the issues identified above and offers consensus-based recommendations for the Department's consideration as follows:

<u>(A) Implementation Plan To Notify and Inform Customers</u>

As noted by the Department, there is a need to provide customers with notice and information about pending changes in the structure and pricing of default service. D.T.E. 99-60-B at 22-23. In accordance with the Department's directives, the Working Group developed an implementation plan for providing information to customers regarding changes in default-service prices, the availability of different pricing options for default-service customers and how customers are to choose from the various options. As noted below, the Working Group has agreed to develop certain additional customer notifications that are not as yet complete. These efforts will continue apart from the Department's consideration of the recommendations set forth herein.

In order to accommodate the differing time schedules that the distribution companies face in implementing changes to default-service pricing, the Working Group agreed upon the key messages (or minimum requirements) of a customer-notification plan, but did not establish additional requirements with regard to the timing or mechanics of the customer-notification process. This means that each distribution company will develop a company-specific customer-notification plan that incorporates the minimum requirements developed by the Working Group, but will be able to propose an implementation schedule and process that is tailored to each company's specific circumstances.[(5)] The Department will have the opportunity to review company-specific implementation plans at the time that each company files for a change in its default service price. Accordingly, the components of the implementation plan are as follows:

(1) The distribution companies will direct an <u>initial</u> notification to all customers and will provide general information on available service options and the pending changes to default service. This notification was reviewed and approved by Department (<u>see</u> Appendix A). This notification will be provided to customers as a September bill insert.

(2) The distribution companies will direct a second notification to default service customers only, which will provide more specific information regarding the pending rate changes and pricing guidelines/options associated with default service (see Appendix B). This notification is under review and will be submitted for Department approval. This notification will be provided to default service customers either as a bill insert or as a direct mail piece. The timing of this notification will be determined on a company-specific basis.

In addition, if the default service price is known, this notification will reflect that price. If the price is not known, this notification will tell the customer when that price will be available (and a third notification must be provided to default-service customers describing the actual price change);

(3) Distribution companies may propose to combine general information elements of the first notification with the more targeted information of the second notification and provide this combined notice to default service customers by direct mail, while the initial notification is being disseminated as a bill insert to all customers through the cycle billing process.

(4) With regard to the initial change in default-service prices, distribution companies will make prices available to customers in written form, no less than 30 days prior to the implementation of the pricing change. Distribution companies will also make prices available electronically (websites) and through a toll-free "800" number, no less than 45 days prior to the implementation of the pricing change.

(5) In conjunction with the customer's first bill reflecting the new default-service price, the distribution companies will provide default-service customers with a further notification that conveys additional detailed information regarding default-service pricing guidelines. This notification will also be provided to any new distribution customer.

The Working Group agreed to continue working to develop the form and content of this customer notification apart from the Department's consideration of the recommendations contained in this Report, i.e. distribution companies are not precluded from proposing a default-service price change prior to the completion of this customer notification.

The Working Group agreed that the foregoing implementation plan addresses the initial transition from the current default service structure to the new default-service pricing structure. In addition, the Working Group agreed that the implementation plan set forth above does not preclude competitive suppliers, government agencies or the distribution companies from making additional efforts to inform customers of default-service changes. To that end, in conjunction with its efforts to develop the customer notification referenced in paragraph (5) above, the Working Group will discuss whether any additional public-relations efforts should be undertaken on a joint basis.

With respect to default-service price changes for the next six-month period of default service (following the initial implementation of default-service pricing changes), i.e., the transition stage, the Working Group proposes the following:

(6) Beginning 60 days in advance of the second anticipated default-service price change, distribution companies will use a bill message on customer bills to alert customers to the fact that: (1) as of a certain date the price for default service will be changing (date will be identified); and (2) customers may call a toll-free "800" number or check the company's website for the price.

(7) The distribution companies will make the new default-service prices available on their websites and through the toll-free "800" number for at least 30 days prior to the effective date of the new prices.

(8) Once the price is available on the website and through the toll-free "800" number, the distribution companies will include a bill message on customer bills or bill insert indicating: (1) that the price will change as of a certain date (date identified); and (2) what the actual price will be as of that date.

(9) In the bill cycle immediately preceding the second price change, the distribution companies will provide customers with information regarding the default-service pricing guidelines and the options available to default-service customers under those guidelines. This notification will be similar to the notification provided to customers in paragraph (5), above, relating to the initial transition implementation plan.

With respect to all price changes occurring after the transition stage, i.e., the third six-month period and beyond, the Working Group proposes the following:

(10) Beginning 60 days in advance of an anticipated default-service price change, distribution companies will use a bill message on customer bills to alert customers to the fact that; (1) as of a certain date the price for default service will be changing (date will be identified); and (2) customers may call a toll-free "800" number or check the company's website for the price.

(11) The distribution companies will make the new default-service prices available on their websites and through the toll-free "800" number for a period of time in advance of the effective date of the new prices.[(6)]

(12) In the bill cycle immediately preceding the price change, the distribution companies will provide customers with information regarding the default-service pricing guidelines and the options available to default-service customers under those guidelines. This notification will be similar to the notification provided to customers in the transition stage.

(M) Department Review of the Results of Default Service Solicitations

In its Order, the Department required distribution companies to file the results of default service solicitations with the Department. D.T.E. 99-60-B at 22. The Department stated that, consistent with its general supervisory authority, the Department may, on its own motion, make a determination of whether additional investigation is necessary or warranted. Given the time constraints that will be involved in completing the solicitation, filing the results of the solicitation and proposed tariff changes with the Department and implementing the resulting price changes, the Working Group recommends that the Department institute a five business-day review period within which the Department could act to initiate an investigation of the proposed price that results from the default-service solicitation. Thus, if no action is taken by the Department within five business days, the proposed default-service price would be allowed to go into effect. The Working Group proposes that this recommendation is reasonable because it provides the Department with the opportunity to choose to initiate an investigation and allows the distribution company to move forward expeditiously with pricing changes where no investigation is needed.

(N) Applying Default Service Prices to the Appropriate Usage Period

Under the new default-service pricing structure, price changes will typically be effective on the 1st of a month. However, distribution companies generate and distribute customer bills on a "cycle-billing" basis, which means that a customer's usage period may not coincide with the effective period of the default service price. As a result, the Working Group identified a need to develop standard practices for implementing changes to default service prices. The Working Group reviewed a number of bill-calculation techniques, including the monthly reconciliation of default service charges, to implement the default-service pricing options and is recommending that rate changes be implemented on a prorated basis. The proration of bills will be necessary where the customer's billing period encompasses a period of time during which two different default service prices are in effect. Since meter readings are routinely performed no more than once per month, the proration approach assumes that the usage over the billing cycle occurs equally each day, and therefore, the different billing rates are weighted by the number of days in the billing cycle for which the different rates were in effect.

There are several advantages to support the Working Group's proposal, including:

(1) Historically, the distribution companies have implemented rate changes on a prorated basis. Therefore, pro-rated rate changes are familiar and understandable to customers and customer-service representatives. As a result, prorated rate changes will minimize customer confusion;

(2) Prorated rate changes allow a customer to match wholesale market price signals with retail monthly electric consumption;

(3) Recent independent customer-satisfaction surveys and market research, as well as experience, indicates that customers find bills with too many components to be difficult to understand.

With regard to the "display" of the prorating calculation, the Working Group recognized that the distribution companies' systems are set up to provide information on the prorating adjustment in two ways, i.e., some companies display the actual prorated calculation indicating the changing price levels and other companies provide a "composite" or blended rate, weighted by the number of days that the different rates were in effect. The Working Group concluded that each distribution company would continue to display the prorating adjustment consistent with past practice to minimize customer confusion and to avoid incurring the cost of changing the distribution companies' billing systems to accommodate a standardized approach. The distribution companies will use a bill message to alert customers to a price change where a composite rate is provided to the customer. Attached as Appendix C(1) through C(6) are sample bills of the electric companies illustrating how each company will display the prorating adjustment.

(D) Reconciliation of Under and Over Recoveries of Default Service Costs

Although it is assumed that default-service prices will be based on the prices that will be procured in periodic solicitations, determining the precise level of costs that will be incurred for an upcoming period will often require some level of estimation. This estimation may depend, in part, on the specific contractual terms of the procurement contract(s), the mix of resources used and the usage and load characteristics of customers taking default service. Thus, an after-the-fact review of the actual costs incurred to serve default service customers may deviate to a certain extent from the estimates made at the beginning of the period for which rates are established.

As a result, the Working Group agreed that distribution companies will face the need to reconcile default-service costs and revenues on a periodic basis. The Working Group recognized that two issues were involved in establishing a reconciliation mechanism: (1) whether reconciliation should occur on an annual, semi-annual or monthly basis; and (2) whether the reconciliation amount would be collected from (or refunded to) all customers of the distribution company or from default-service customers only. The Working Group did not reach a consensus on this issue, and therefore, Working Group participants have agreed that interested persons should file comments on this issue with the Department no later than August 30, 2000.

(E) Process and Timing of Customer Switching Between Pricing Options[7]

In its Order, the Department made a number of determinations relating to: (1) the pricing option on which distribution companies will automatically and initially place customers; and (2) the extent to which customers will have the opportunity to switch between pricing options. D.T.E. 99-60-B at 6. The Department's Order defines the options that customers will have available to them at any given time. The guidelines established by the Department are summarized as follows:

(1) A fixed-price, six-month default service option must be available to all default-service customers;

(2) For residential and small commercial and industrial ("C&I") customers, the "customary" default service pricing option will be the six-month fixed-price option, i.e., residential and small C&I customers are automatically placed on this pricing option, unless the customer elects the variable monthly pricing option;

(3) For medium and large C&I customers (and service obtained under street lighting tariffs), the customary default service pricing option will be the variable monthly pricing option, i.e., these customers are automatically placed on this pricing option, unless the customer elects the six-month, fixed-price option;

(4) Residential and small C&I customers must have the opportunity to switch from the fixed-price option to the variable price option, but once the switch is made, the customer may not return to the fixed-price option as long as the customer continues to receive "uninterrupted" default service;

(5) If a residential or small C&I customer leaves default service to take generation service from a competitive supplier and subsequently returns to default service, the customer automatically returns to the fixed-price option and again has the opportunity to switch from the fixed-price option to the variable price option;

(6) Medium and large C&I customers (and service obtained under street lighting tariffs) must have the opportunity to switch from the variable-price option to the fixed-price option, but once the switch is made, the customer may not return to the variable-price option as long as the customer continues to receive "uninterrupted" default service;

(7) If a medium or large C&I customer (and service obtained under street lighting tariffs) leaves default service to take generation service from a competitive supplier and subsequently returns to default service, the customer automatically returns to the variable-price option and again has the opportunity to switch from the variable-price option to the fixed-price option;

The Department's order is silent with respect to the timing of a customer's switch between pricing options. In developing a consensus-based recommendation on the process and timing of customer switching between pricing options, the Working Group took into account the countervailing objectives of: (1) maintaining flexibility of choice for customers; (2) achieving simplicity for customers; (3) minimizing the opportunity for gaming of the system; and (4) imposing a reasonable administrative burden on the companies in tracking and accomplishing customer switches between pricing options. To achieve these objectives, however, it was necessary for the Working Group to analyze and debate the operation and implications of the underlying pricing guidelines established by the Department.

During the Working Group discussions, it became apparent that the Department's pricing guidelines maintain substantial flexibility of choice for customers, but in doing so, create significant opportunities for "gaming" of the system, i.e., there may be significant price advantages in switching to the fixed-price option during the interim of a six-month pricing period.[8] The recalculation of customer bills to ensure that customers pay their fair share of default service costs would work, to a certain extent, to eliminate the incentives for constant switching between pricing and service options, but imposes a significant administrative burden upon the companies. Thus, the Working Group discussed various modifications to the Department's pricing guidelines that would minimize the opportunities for "gaming" the system, without imposing a significant administrative burden upon the companies or substantially impairing a customer's flexibility to choose among pricing and service options.

To that end, the Working Group proposes the following modifications to the Department's pricing guidelines:

(1) A fixed-price, six-month default service option will be available to all default-service customers;

(2) For residential and small commercial and industrial ("C&I") customers, the "customary" default service pricing option will be the six-month fixed-price option, i.e., residential and small C&I customers will be automatically placed on this pricing option, unless the customer elects the variable monthly pricing option;

(3) For medium and large C&I customers (and service obtained under street lighting tariffs), the customary default service pricing option will be the variable monthly pricing option, i.e., these customers will be automatically placed on this pricing option, unless the customer elects the six-month, fixed-price option;

(4) Residential and small C&I customers will have the opportunity to switch from the fixed-price option to the variable-price option **at the beginning of a six-month term**. Once the switch is made, the customer may not return to the fixed-price option as long as the customer continues to receive "uninterrupted" default service;

(5) If a residential or small C&I customer leaves default service to take generation service from a competitive supplier and subsequently returns to default service, the customer automatically returns to the fixed-price option and **at the beginning of a six-month term**, has the opportunity to switch from the fixed-price option to the variable-price option;

(6) Medium and large C&I customers (and service obtained under street lighting tariffs) will have the opportunity to switch from the variable-price option to the fixed-price option **at the beginning of the next six-month term**. Once the switch is made, the customer may not return to the variable-price option as long as the customer continues to receive "uninterrupted" default service;

(7) If a medium or large C&I customer (and service obtained under street lighting tariffs) leaves default service to take generation service from a competitive supplier and subsequently returns to default service, the customer automatically returns to the

variable-price option and, **at the beginning of the next six-month term**, has the opportunity to switch from the variable-price option to the fixed-price option;

The Working Group proposes that restricting customer switching between pricing options to the beginning of the six-month term of the fixed-price option will minimize the incentives for gaming of the system, which result, in large part, from the ability to go onto the fixed, six-month rate in the middle of the pricing period. Further, the Working Group agreed that, during the initial six-month period following the implementation of the default service pricing changes, residential and small C&I customers would be allowed to switch from the fixed-price option to the variable price option at any time during the six-month period. For those customers electing to switch pricing options during the initial period, the change would take effect as of the next on-cycle meter reading, provided that the customer notifies the distribution company at least two days in advance of the next scheduled on-cycle meter reading. Presently, customers must also adhere to the two-day rule when switching to a competitive supplier. The distribution companies would not perform a recalculation of the customer bills for switches occurring during this initial term.

The distribution company will inform customers that, beginning with the second six-month default-service period (and continuing for the subsequent six-month pricing periods), the customer will be allowed to make a one-time switch between pricing options only at the beginning of a six-month term. Following the initial term, a customer may request a change of pricing options only during the last month of the six-month term and must make the change no later than two business days prior to the scheduled on-cycle meter reading of the first month of the new term. For these subsequent terms, a customer would not be allowed to make the one-time switch in pricing options in any month other than the first month in the six-month term.

This approach provides customers with the flexibility to exercise their switch option at any time during the initial six-month term, as customers are adjusting to the new default-service structure. In the future, customers will be more knowledgeable about the availability of default-service pricing options. At the same time, limiting customer switching between price options to the beginning of a six-month term constrains the opportunities for gaming.

The Working Group believes that this modification to the Department's pricing guidelines meets the objectives outlined above of maintaining flexibility and simplicity for customers, while minimizing the opportunities for gaming of the system and avoiding unreasonable administrative burdens for the distribution companies. Thus, the Working Group recommends that the Department adopt the suggested modification to the pricing guidelines.

<u>(H) Customer Switching From Municipal Aggregation to Default Service</u>

In addition to the gaming that would be possible if customers were allowed to switch between default-service price options during the middle of a six-month price term, the

Working Group recognized that there is an opportunity for gaming that results from the requirement that residential and small C&I customers be placed automatically on the fixed-price option when such customers return to default service from a competitive supplier in the middle of a six-month price term. This requirement creates an incentive for competitive service providers to return groups of residential and small C&I customers to default service when the fixed-price option is lower than the price that the competitive provider is willing or able to offer. In order to remedy this situation, certain participants in the Working Group proposed a modification to the Department's pricing guidelines, which would allow the distribution company to place residential and small C&I customers on the variable-price option (at least until the start of the next six-month period) when such customers return to default service from a competitive provider in the middle of a six-month price term.

Although the Working Group recognized that the Department's pricing guidelines create an opportunity for competitive suppliers and aggregators to take advantage of the availability of a mid-term fixed price, Working Group participants were concerned with preserving the ability of residential and small C&I customers to return to the fixed-rate option. Recognizing that the Department has approved at least one municipal aggregation plan with a supplier contract that purports to permit the reliance on default service when the price of default service is lower than the supplier's price, the Working Group agreed that this gaming opportunity would be most pronounced in a municipal aggregation arrangement where significant numbers of customers could be returned simultaneously to default service.[(9)] Thus, the Working Group proposes a modification to the Department's pricing guidelines, which would require municipal aggregation customers to return to the variable-price option rather than the fixed-price option if such customers return to default service in the middle of a six-month term. Such customers would have the opportunity to choose the fixed-price option at the beginning of the next fixed-price term. In order to alleviate concerns relating to the placement of these customers on the variable-price option, the distribution companies will assure these default-service customers that they will have the opportunity to switch pricing options at the beginning of the next six-month term. To that end, the distribution companies will incorporate notice to municipal aggregation customers of this pricing guideline in customer-information pieces required above (see Section A(9) and (12)). If it is determined that gaming is occurring in circumstances involving competitive suppliers (other than municipal aggregation), distribution companies will notify the Department and may propose further measures to the Department to address any such abuses.

The Working Group believes that the proposed modification to the Department's pricing guidelines meets the objectives outlined above of maintaining flexibility and simplicity for customers, while minimizing the opportunities for gaming of the system and avoiding unreasonable administrative burdens for the distribution companies. Thus, the Working Group recommends that the Department adopt this suggested modification to the pricing guidelines.

(I) Recalculation of Customer Bills for Customers Leaving the Fixed-Price Option

The Working Group recommends that customer bills be recalculated only when a customer leaves the six-month, fixed-price option to receive generation service from a competitive supplier.[(10)] As discussed above, recalculation of customer bills adds significant complexity and cost to the administrative processes of the distribution companies, and therefore, it is not feasible for the companies to undertake bill recalculation on a broad scale. Accordingly, if the modifications to the pricing guidelines proposed by the Working Group (including that customers may change between pricing options only at the beginning of a six-month period) are not accepted by the Department, the potential for gaming of the system will not be diminished. Each distribution company would then need to evaluate how best to resolve this issue given the magnitude of the perceived "gaming" and billing system constraints.

X. Conclusion

The Default Service Working Group appreciates the opportunity to have input on these important issues and proposes that the recommendations set forth above fairly balance the interests of providing adequate information and notice to customers, while preserving the ability of each distribution company to accomplish the notification process in a manner that is tailored to the specific constraints and requirements of each company.

1.

[1] Notice of the first meeting of the Default Service Working Group was sent to the entire service list of the D.T.E. 96-60 docket.

2.

[2] MHI, Inc. administers PowerOptions®, the Massachusetts Non-Profit Energy Purchasers Consortium.

3.

[3] Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company.

4.

[4] Although this report generally represents consensus positions of the Working Group, some participants have requested the opportunity to file separate comments with the Department on particular issues no later than August 31, 2000.

5.

[5] For instance, some companies may choose to provide customers with certain information by direct mail rather than as a bill insert because a direct mail allows the

companies to provide information to customers on a timely basis without the constraints and delay involved in disseminating information through the billing cycle process.

6.

[6] The Working Group did not reach agreement as to the period of time that would be reasonable and/or appropriate on a going-forward basis for advance notice of price changes. The Working Group will continue to discuss this issue.

7. [7] Although agreeing to other aspects of this consensus document, Green Mountain Energy Company does not support the recommendations in this section.

8.

[8] For instance, under the Department's current guidelines, all customers have the ability to switch to a competitive supplier during off-peak periods, and then to return to the fixed-price option during the peak period either by returning to default service and being placed automatically on the fixed-price option (residential and small C&I customers) or by electing to exercise their right to switch to the fixed-price option from the variable-price option after being placed automatically on the variable-price option (medium and large C&I customers).

9.

[9] For example, in approving the municipal aggregation plan for the Cape Light Compact, the Department recognized that the terms of the contract with the supplier serving those municipal aggregation customers could present the opportunity for switching customers to default service, but stated that market-based pricing of default service would reduce the incentive. Cape Light Compact, D.T.E. 00-47, at 31. However, the Department's guideline that permits small customers to return to the fixed-price option in a peak month does not provide the market-based price signal envisioned by the Department, and invites the type of gaming that the Department sought to avoid.

10.

[10] Specifically, when a customer who is on the fixed six-month price switches to a competitive supplier during the six-month term, the customer's bill for each month of the six-month period that the customer was on the fixed price is recalculated. The recalculation uses the monthly variable price in effect during that period instead of the fixed price.